



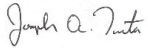
Management Directive

Commonwealth of Pennsylvania

Governor's Office

Management Directive 570.16 Amended – State Employees' Retirement System, Duties of Departments and Agencies

Date: July 1, 2022

By Direction of: 
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State Employees' Retirement System

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This directive establishes policy, responsibilities, and procedures for Agency Heads and other agency officials with respect to the State Employees' Retirement System (SERS) and the State Employees' Defined Contribution Plan (SEDCP). This amendment incorporates policy, responsibilities, and procedures related to the SEDCP and provides rules related to payouts for unused compensatory leave.

1. PURPOSE.

- a. To establish policy, responsibilities, and procedures for agencies regarding actions required by *Section 5906* of the *Retirement Code, 71 Pa.C.S. § 5906*.
- b. To meet SERS' responsibility to administer the *Retirement Code* in accordance with existing laws, its fiduciary obligation to SERS Members and Participants, and its commitment to provide consultation and guidance to member agencies on all matters regarding SERS and the SEDCP.
- c. To state that payouts for unused compensatory leave earned on or after July 1, 2022 is retirement-covered compensation.

2. SCOPE.

This directive applies to all departments, offices, boards, commissions and councils under the Governor's jurisdiction and to independent agencies using the Commonwealth's SAP Human Resources (HR) and Payroll Module that have employees who are eligible to become Members of SERS or Participants of the SEDCP (hereinafter referred to as "agencies"). This policy shall be interpreted in accordance with the

Retirement Code, 71 Pa.C.S. §§ 5101-5958. Accordingly, SERS' policy and the responsibilities and procedures set forth herein are the same for all SERS and SEDCP employers, SERS Members, and SEDCP Participants.

3. OBJECTIVE.

To ensure that Agency Heads and other agency officials understand the duties of their agency related to administering employee retirement responsibilities and procedures.

4. DEFINITIONS.

- a. **Active Member.** A state employee for whom contributions are being made to SERS in accordance with the *Retirement Code*.
- b. **Active Participant:** A state employee for whom contributions are being made to the SEDCP in accordance with the *Retirement Code*.
- c. **Agency Head.** For purposes of this directive, it means "Head of Department," which is defined by the Retirement Code as "[t]he chief administrative officer of a department, the chairman or executive director of the agency, authority, or independent board or commission, the Court Administrator of Pennsylvania, and the Chief Clerk of the Senate, or the Chief Clerk of the House of Representatives." 71 Pa.C.S. § 5102.
- d. **Class A-5 Exempt Employee.** Any of the following:
 - (1) A sworn police officer.
 - (2) An enforcement officer.
 - (3) A wildlife conservation officer or other commissioned law enforcement personnel employed by the Pennsylvania Game Commission who has and exercises the same law enforcement powers as a wildlife conservation officer. The term shall not include a deputy wildlife conservation officer.
 - (4) A Delaware River Port Authority policeman.
 - (5) A park ranger.
 - (6) A Capitol Police officer.
 - (7) A campus police officer employed by a State-owned educational institution, community college or The Pennsylvania State University.
 - (8) An installation police officer at Fort Indiantown Gap or other designated Commonwealth military installation or facility commissioned under 51 Pa.C.S. § 711 (relating to installation of police officers for Fort Indiantown Gap and other designated Commonwealth military installations and facilities).
 - (9) A correction officer.

- e. **Class of Service.** A designation set forth by the *Retirement Code*, which outlines retirement qualification requirements and benefits for groups of employees based on employment, date of hire, or other factors. SERS has several classes of service.
- f. **Compensation.** The remuneration for services that a state employee who is a Member, a Participant, or both, performs as a state employee, including payments for annual, sick, and compensatory leave used by a Member or Participant, and payouts for unused compensatory leave earned on or after July 1, 2022. Retirement-covered Compensation is remuneration on which contributions to the SERS fund, the SEDCP, or both are assessed, and in the case of a Member, that are credited to the Member's account and used to calculate his or her retirement benefit. Clothing allowances, payments for unused annual and sick leave, and severance payments (among other payments) are not retirement-covered earnings.
- g. **Credited Service.** One of the factors that determine a Member's eligibility for a retirement benefit as well as the amount of the benefit provided. Generally, 1,650 hours in a calendar year is credited as one year of state service.
- h. **Mandatory Membership.** The membership in SERS that is required of all full-time state employees and permanent part-time state employees, unless such employees are specifically exempt from membership or have the option of enrolling in another retirement system. SERS Members who terminate from state service, who do not withdraw their contributions or retire, and who later return to state service must re-enroll in SERS, even if they are not full-time or permanent part-time state employees.
- i. **Mandatory Pickup Participant Contributions.** Contributions equal to a percentage of Compensation that are made by an Active Participant in the SEDCP through payroll deductions to the Active Participant's individual investment account at a rate in accordance with the Participant's Class of Service.
- j. **Member.** An Active Member, inactive member, annuitant, vestee, or special vestee of the defined benefit public pension plan administered by SERS in accordance with the *Retirement Code*. Eligibility for membership in SERS is specified in *Management Directive 570.1 Amended, Mandatory Membership in the State Employees' Retirement System* and *Management Directive 570.6 Amended, Optional Membership in the State Employees' Retirement System*.
- k. **Member or Participant Contributions.** The money that is withheld from an Active Member or Active Participant's Compensation by the Member's or Participant's employer's comptroller and forwarded to SERS.
- l. **Multiple Service.** The designation used when a Member elects to combine the Member's total Credited Service in both SERS and the Public School Employees' Retirement System (PSERS) to receive a single retirement benefit.

- m. **Noneligible Member.** For purposes relating to annual compensation limit under *Section 401(a)(17)* of the *Internal Revenue Code, 26 U.S.C. § 401(a)(17)*, a SERS Member who first joined SERS on or after January 1, 1996.
- n. **Optional Member.** Pursuant to *Section 5301(a)* of the *Retirement Code, 71 Pa.C.S. § 5301(a)*, the employees below who are not mandatory Members but may elect SERS membership if they so desire:
 - (1) Governor;
 - (2) Lieutenant Governor;
 - (3) Members of the General Assembly;
 - (4) Heads or deputy heads of administrative departments;
 - (5) Members of any independent administrative board or commission;
 - (6) Members of any departmental board or commission;
 - (7) Members of any advisory board or commission;
 - (8) Secretary to the Governor;
 - (9) Budget Secretary;
 - (10) Legislative employees; and
 - (11) School employees who may elect membership in 'PSERS or a third-party plan offered by their employer.
- o. **Participant.** An Active Participant, inactive participant or a Participant receiving distributions.
- p. **PSERS.** The retirement system established by the *Public School Employees' Retirement Code, 24 Pa.C.S. §§ 8101-9102*, to administer the defined benefit, public pension plan that serves educational employers in Pennsylvania.
- q. **Regional Offices.** The offices located throughout the Commonwealth to provide assistance and information to SERS members and SEDCP Participants. To provide convenient, in-person service, centers are located in specific geographic areas based on concentrations of members and Participants, and they serve as the hub for counseling and outreach operations. Active Members and Active Participants are assigned to centers based on the county in which they work, and retired Members and Participants receiving distributions receiving distributions from the SEDCP are assigned to centers based on the county in which they live, as follows:
 - (1) **Region 1 – Seneca Regional Office.** Armstrong, Butler, Clarion, Crawford, Elk, Erie, Forest, Jefferson, Lawrence, McKean, Mercer, Venango, and Warren.
 - (2) **Region 2 – Pittsburgh Regional Office.** Allegheny, Beaver, Western Cambria, Fayette, Greene, Indiana, Somerset, Washington, and Westmoreland.

- (3) **Region 3 – State College Regional Office.** Bedford, Blair, Eastern Cambria, Centre, Clearfield, Franklin, Fulton, Huntingdon, Juniata, and Mifflin.
 - (4) **Region 4 – Montoursville Regional Office.** Bradford, Cameron, Clinton, Columbia, Lycoming, Montour, Northumberland, Potter, Schuylkill, Snyder, Sullivan, Tioga, and Union.
 - (5) **Region 5 – Wilkes-Barre Regional Office.** Carbon, Lackawanna, Lehigh, Luzerne, Monroe, Northampton, Pike, Susquehanna, Wayne, and Wyoming.
 - (6) **Region 6 – Bensalem Regional Office.** Berks, Bucks, Chester, Delaware, Lancaster, Montgomery, Philadelphia (including the following): Port Authority Transit Corporation, Delaware River Joint Bridge Commission, and Delaware River Port Authority.
 - (7) **Region 7 – Harrisburg Regional Office.** Adams, Cumberland, Dauphin, Lancaster, Perry, and York.
- r. **Retirement Code.** The Pennsylvania law that authorizes and controls the administration, policies, and procedures of SERS as well as the rights and benefits of its Members and Participants in the SEDCP.
 - s. **SEDCP.** A defined contribution retirement plan established by *Section 5801 of the Retirement Code, 71 Pa.C.S. § 5801.*
 - t. **SERS.** The state agency created by the State Employees’ Retirement Board under the authority of the *Retirement Code* to administer the defined benefit public pension plan, the SEDCP defined contribution public retirement plan, and, pursuant to the Act of November 6, 1987, *P.L. 394, No. 81, § 2, 72 P.S. § 4521.2*, the Commonwealth’s optional deferred compensation plan.
 - u. **Termination of Service.** A break in employment of more than 14 calendar days. The effective date of termination is the date the initial break in employment occurred.
 - v. **Voluntary contributions.** Contributions made by a Participant in the SEDCP and credited to the Participant’s individual investment account in excess of the Participant’s Mandatory Pickup Participant Contributions, either by payroll deductions paid through the Commonwealth or other employer, or through an eligible rollover or through a direct trustee-to-trustee transfer.

5. POLICY.

a. New Employees.

- (1) On the first day of employment of each new state employee whose membership in SERS, participation in the SEDCP, or both, is mandatory, the Agency Head shall ensure enrollment in the appropriate class of membership in SERS, participation in the SEDCP, or both, and shall make the appropriate employer and employee contributions from the effective date of employment. Refer to *Management Directive 570.1*

Amended, Mandatory Membership in the State Employees' Retirement System.

- (2)** Upon employment or assumption of office of each state employee whose membership in SERS, participation in the SEDCP, or both is not mandatory, inform such employee of the opportunity to become a SERS Member, SEDCP Participant, or both. If such employee elects to join SERS, the SEDCP, or both, the Agency Head shall ensure enrollment in the appropriate retirement plan(s) and shall make proper contributions from the effective date of membership. Refer to *Management Directive 570.6 Amended, Optional Membership in the State Employees' Retirement System.*
- (3) Member and Participant Status.** At the end of each pay period and in a manner prescribed by SERS, the Agency Head shall ensure that SERS is notified of:

 - (a)** changes in Compensation;
 - (b)** removals from payroll;
 - (c)** the amount and type of leave used by those removed from payroll, that occurred at any time during that pay period for all Members and Participants employed by the agency; and
 - (d)** changes to employee classification, status, or position that result in the employee becoming a Class A-5 Exempt Employee, and the effective date of such change.
- (4) SERS Member Records and Information.** Upon a SERS Member's or Participant's termination of service or at any time at SERS' request, the Agency Head shall provide service and Compensation records and other information as SERS may require. Agency Heads shall maintain and preserve such records as SERS may direct to discharge its duties.
- (5) Member and Participant Contributions.** From each payroll, the Agency Head shall ensure that required Active Member and Active Participant pickup contributions are made for current service and shall cause to be deducted any other Active Member or Active Participant contributions as required by SERS. Such contributions may include but are not limited to those owed by an Active Member with multiple service membership in SERS and PSERS and voluntary contributions to an SEDCP account. At times and in a manner prescribed by SERS, Agency Heads shall notify SERS of the Compensation of any noneligible member and any Participant to whom the limitation under *Section 401(a)(17)* of the *Internal Revenue Code, 26 U.S.C. § 401(a)(17)*. either applies or is expected to apply. In such cases, the Agency Head shall cause such Member's and Participant's contributions to cease for the duration of the current tax year at the limit set forth in *Section 401(a)(17)* of the *Internal Revenue Code, 26 U.S.C. § 401(a)(17)*, on the payroll date such limit is reached.

6. RESPONSIBILITIES.

a. Agency Heads shall:

- (1) Ensure that sufficient administrative support is committed to accomplish the duties assigned herein and in all retirement-related directives.
- (2) Ensure that service and Compensation records including hours paid, quarterly and annual Compensation, quarterly lump sum payments for unused accrued compensatory leave as well as the number of hours worked which such payments represent, and other employment history records are maintained in conformance with SERS' standards and made available to SERS as required.
- (3) Ensure that HR and payroll transactions, as they relate to employees' membership in SERS, participation in the SEDCP, and eligibility for benefits, are completed and reported in a timely manner.

b. Agency HR Offices/Office of Administration, HR Service Center (HRSC) and Payroll Offices shall:

- (1) Ensure that membership, participation, or both, is established for all new employees as required. Refer to *Management Directive 570.1 Amended, Mandatory Membership in the State Employees' Retirement System* and *Management Directive 570.6 Amended, Optional Membership in the State Employees' Retirement System*.
- (2) Ensure that any changes in status or demographic information for an Active Member, an inactive member on leave, an Active Participant, and an inactive participant are reported properly to SERS. For example, when Members or Participants change positions within an agency or transfer to a new agency, SERS is to be notified to ensure that retirement coverage is accurate.
- (3) Maintain employee service and salary information for use by SERS as needed. Refer to *Management Directive 570.11 Amended, Amending Data in Retirement and Personnel/Payroll Systems and Collecting Arrears Balances*.
- (4) Ensure proper Active Member contributions, Active Participant contributions, or both are deducted from each employee's payroll and submitted to SERS in a timely manner and stating the calendar quarter in which the compensation was earned by the employee.
- (5) Ensure that service and salary data for Class A-5 Exempt Employees reported to SERS does not include remuneration for voluntary overtime service or duty that exceed 10% of the Class A-5 Exempt Employee's base salary or wages in the pay period in which it was performed.
- (6) Refer members and Participants to the appropriate SERS Regional Office for answers to retirement related questions and, at the time of termination, for counseling on their retirement benefits. Refer to *Management Directive 570.13 Amended, State Employees' Retirement*

System, Regional Counseling Centers.

- c. **SERS** shall:
 - (1) Respond to all questions related to SERS' accounts, law, material, processes, and services, as directed to the Member's SERS Regional Office.
 - (2) Maintain accurate Member and Participant retirement accounts.

7. PROCEDURES.

- a) **Agency HR Offices/HRSC and Payroll Offices.** For Member contributions and Participant contributions, establish payroll deductions in the appropriate amount for each employee who is an Active Member, Active Participant, or both.
- b) **Non-Permanent Employees.** Monitor and enroll any non-permanent employee who reaches the 750-hour eligibility threshold for membership in SERS, participation in the SEDCP, or both. Send a weekly report to SERS listing employees who have met the threshold for membership, participation, or both, and purchase-of-service processing. Refer to *Management Directive 570.1 Amended, Mandatory Membership in the State Employees' Retirement System*.
- c) **Retroactive Enrollments.** Complete transactions to update retroactive enrollments for missed employment periods or retroactive enrollment in SERS, the SEDCP, or both.
- d) **Removal from Payroll.**
 - (1) **Removal Due to Leave Without Pay.** Complete the transaction in the Integrated Enterprise System (IES) or through file transfer protocol (FTP) or SERS' internet application with start date, end date, and type of leave without pay.
 - (2) **Removal Due to Transfer to Another Agency.** Complete the transaction in IES or through FTP or SERS' internet application to terminate the employee to include the date of transfer.
 - (3) **Removal Due to Termination from State Service.**
 - (a) Advise all terminating employees to contact the appropriate SERS Regional Office for retirement counseling to complete the appropriate forms.
 - (b) Complete the transaction in IES or through FTP or SERS' internet application to terminate the employee.
 - (c) Submit to SERS upon the death of an Active Member a notice of the death of the Member and a certified copy of death certificate (if available).

This directive replaces, in its entirety, *Management Directive 570.16*, dated April 7, 2014.